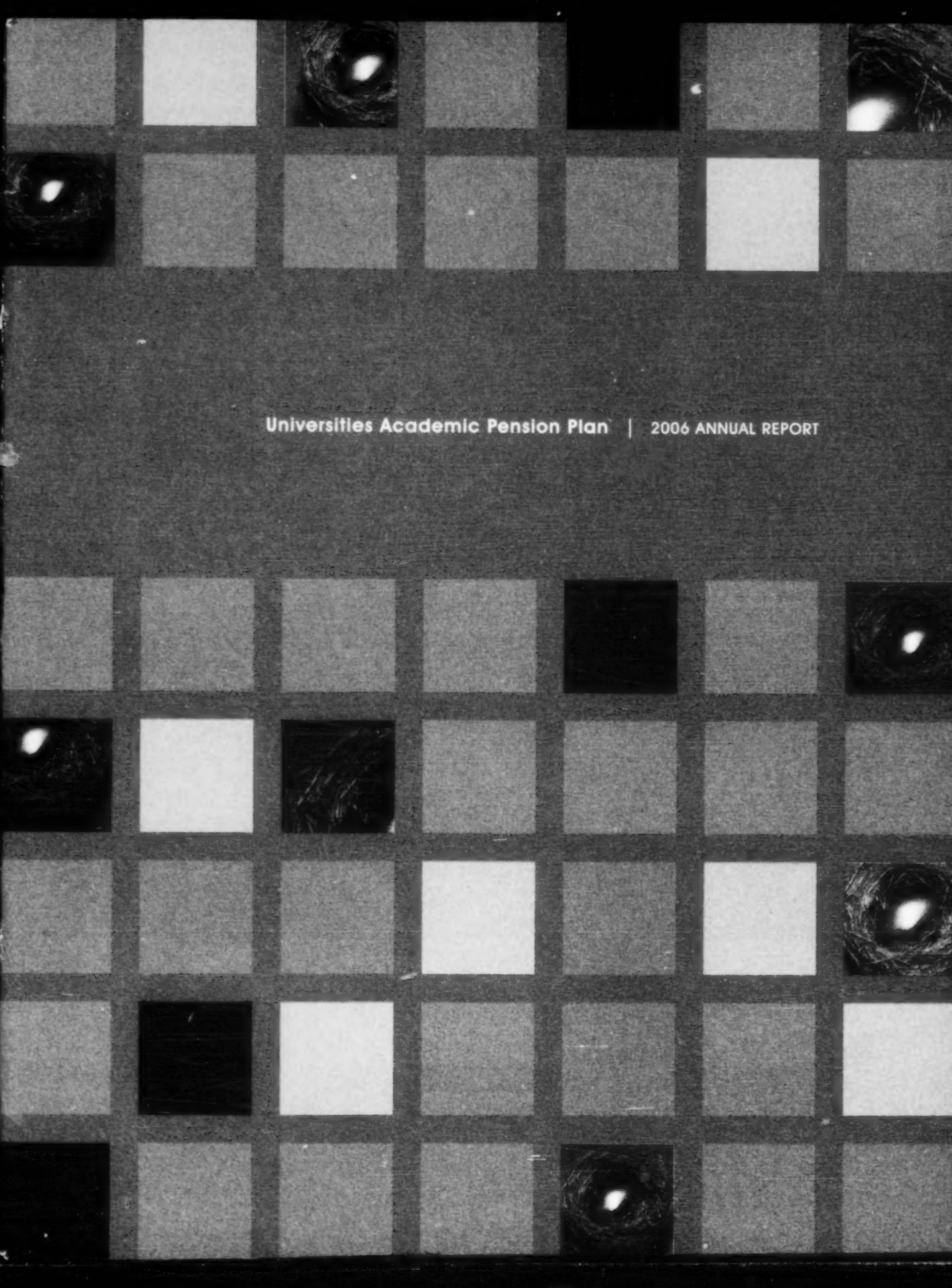
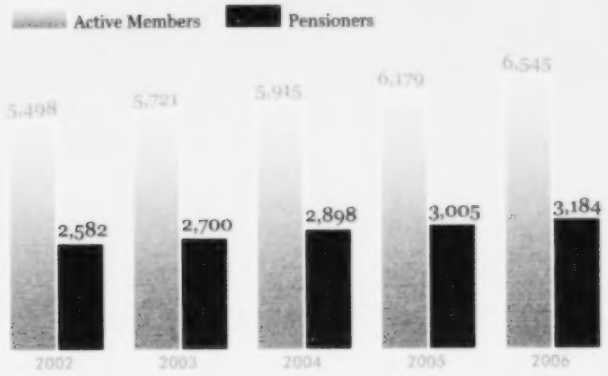
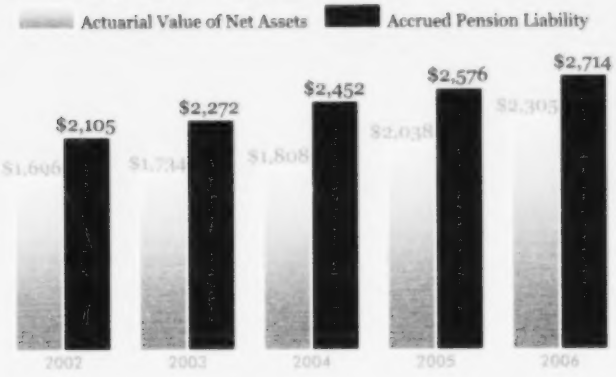


Universities Academic Pension Plan | 2006 ANNUAL REPORT

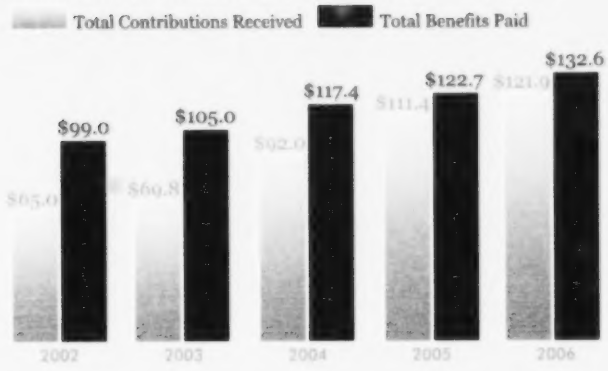
Member and Pensioner Statistics



Assets and Liabilities *($ millions)*



Contributions Received and Benefits Paid *($ millions)*



Assets & Liabilities Summary *($ millions)*

As at December 31

	2006	2005
Net investments	$ 2,466	$ 2,152
Net receivable	11	10
Net assets	2,477	2,162
Actuarial adjustment for fluctuation in fair value of net assets	(172)	(124)
Actuarial value of net assets	2,305	2,038
Actuarial deficiency	409	538
Accrued pension liability	$ 2,714	$ 2,576

2008-04729/

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the Employment Pension Plans Act (Alberta) and the Income Tax Act (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 6,500 active members, 980 deferred members and 3,200 pensioners.
- The UAPP Fund's market value at the end of 2006 was $2,477 million.

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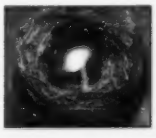


BOARD COMPOSITION

The Board of Trustees (Board) of the Universities Academic Pension Plan oversees the Plan. The Board is composed of five employer trustees and four employee trustees. However, the total votes carried by the employer trustees are the same as the votes carried by the employee trustees. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

BOARD MANDATE

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- seeking stable contribution rates within the funding requirements of the EPPA,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to conduct the UAPP business better.

ADMINISTRATION SERVICES PROVIDER

ACS and Buck Consultants, an ACS Company
MEMBER PENSION INQUIRIES
1-866-709-2092

PENSIONER PAYROLL

CIBC Mellon Global Securities Services Company
PENSIONER PAYROLL INQUIRIES
CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
1-800-565-0479
www.CIBCMellon.com

INVESTMENT MANAGEMENT

Alberta Investment Management, the investment operations group of Alberta Finance

ASSET CONSULTANTS

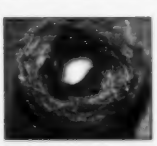
Aon Consulting Inc.

ACTUARY

Mercer Human Resource Consulting

AUDITOR

KPMG LLP



BOARD OF TRUSTEES – 2006

Employer Appointees

Phyllis Clark, BA, MA
University of Alberta

Pat Eagar, CMA, MBA
Athabasca University

Michael McAdam, CA
University of Calgary

Art Nutt, CGA
The Banff Centre for Continuing Education

Nancy Walker, MBA, CA (Chair)
University of Lethbridge

Employee Appointees

Daniel Furgason, BSc
University of Lethbridge

Ted Horbulyk, PhD
University of Calgary

Mazi Shirvani, PhD (Vice-Chair)
University of Alberta

Zengxiang (Eric) Wang, PhD
Athabasca University

Executive Director

Virendra Gupta, MASc, CFA

Standing: Eric Wang, Art Nutt, Michael McAdam, Dan Furgason, Phyllis Clark
Seated: Ted Horbulyk, Virendra Gupta, Nancy Walker, Mazi Shirvani, Pat Eagar

COMMITTEES OF THE BOARD

Actuarial Committee

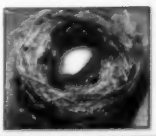
Phyllis Clark
Pat Eagar
Mazi Shirvani, Chair

Audit Committee

Auke Elzinga, FCA
Bill Halford, FCA
Art Nutt, Chair
Eric Wang

Investment Committee

Ron Bercov, PhD
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Michael McAdam
Bob Normand, President & CEO of ATB Financial, Edmonton



Your Board remains focussed on keeping the UAPP on a sound financial track and securing your benefits under the UAPP. 2006 was a good year and I am pleased to present the UAPP's Annual Report for the year. The purpose of the Report is to provide our members a comprehensive update on the Plan's progress in 2006. The Report provides the financial statements, describes the accomplishments and discusses the challenges that still lie ahead for the Plan.

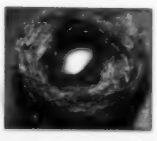
In 2006, the UAPP Fund returned 15.2%. This is a good number both in absolute and relative terms. Returns of this magnitude are infrequent and available information shows that the 15.2% return is close to the top end of the first quartile of balanced fund returns. This marks the fourth year in a row of double-digit returns since the turbulent years of 2001 and 2002 when the capital markets collapsed and the Plan experienced negative returns. In the last four years to 2006, the Fund's average annual compound return was 14.1% and the Plan's assets had grown to $2,477 million at the end of 2006 from $1,541 million at the end of 2002. Despite this 60.7% increase in the Plan's assets, the Plan's funded status has not improved much over these years because falling long-term interest rates have increased the amount of money required to be set aside to fund the benefits on an actuarial basis.

To keep abreast of the financial health of the Plan and related issues on an ongoing basis, the Board established a new standing Actuarial Committee. The Board will undertake an actuarial valuation of the Plan as at the end of 2006 and carefully assess the results before taking any action. It is clear that a low-inflation, low-interest rate environment will continue to be a demanding one for final-average salary defined-benefit plans like the UAPP.

The Investment Committee and the Board continue to look for opportunities to improve the return/risk profile of the Fund. The Board, on the recommendation of its Investment Committee, approved moving 5% of the Fund from long duration bonds to universe bonds to take advantage of potential participation in the Mortgage Pool. One-half of the Fund's Canadian equity allocation for the Domestic Passive Pool was moved to the Canadian Multi-Cap Pool (CMCP) during the year. The Board also did a comprehensive review of its Statement of Investment Policies and Goals (SIP&G). The revised SIP&G is available on the UAPP website at www.uapp.ca under Publications.

The Plan Sponsors approved several changes to the Sponsorship and Trust Agreement (STA) in 2006. Now, the Faculty Associations can have their professional staff participate in the Plan. Also, the Boards of Governors of The Banff Centre for Continuing Education and the Athabasca University will have a permanent position on the Board instead of alternately appointing a nominee every four years.

In addition to an annually revised Member Handbook and the Plan's Annual Report, we continue to publish the Communiqué quarterly to update members on developments of relevance to the UAPP and on pensions more broadly. Based on members' and other feedback, we are moving more and more towards providing documents and information through our website at www.uapp.ca and reducing the use of paper. We are pleased that members are using our website in



increasing numbers. Members can also access through our website the Retirement Planner that allows them to project their UAPP pension and include income from other sources such as RRSPs and other savings.

The Board continues to monitor developments related to pensions and provide comments and input to governments and other associations and authorities on proposals to change laws related to pension benefits, funding or other requirements. The Board held a special seminar in September to discuss current trends in the field of pensions and their implications for the financial and benefit structure of the UAPP. During the year, the Board worked with Alberta Finance to ensure that the Plan's exemption from solvency funding requirements was kept intact as the Employment Pension Plans Act (EPPA) was amended, and provided detailed feedback to the Superintendent of Pensions on proposed changes to the EPPA and its Regulations.

The Board remains committed to working with Plan Sponsors on issues related to the Plan's funding, unfunded liability for pre-1992 service, benefits design and other issues. The Board has developed a list of "maintenance-type" changes to the STA that it would like the Sponsors to consider. The Board has proposed a four-person joint committee with the Sponsors' Working Group (SWG) to study these changes and make recommendations for approval by Sponsors.

We continue to work with pension staff at institutions and administration services providers to furnish quality service to our members. With the help of institutional staff, we hope to receive more frequent and comprehensive data submissions from employers. This will reduce the need for manual intervention and help improve service to members. The Board will also undertake an administration review to clarify the roles of various parties in pension administration and streamline the processes and procedures involved in the delivery of pension services.

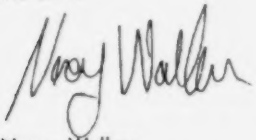
On behalf of the UAPP, I would like to thank Ted Horbulyk who left the Board at the end of 2006. Ted was deeply interested in UAPP issues and made a valuable contribution during his more than ten years of service on this Board and its predecessor statutory board.

Ron Bercov, Bob Hager and Bob Normand, as external members on the Investment Committee, and Auke Elzinga and Bill Halford, external members on the Audit Committee, continue to give generously of their time to the UAPP and I thank them.

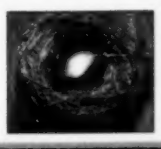
Our relationship with Alberta Investment Management (AIM) is vital to the successful execution of the Board's investment policies. In this regard, we thank Douglas Stratton, David Finstad and Gary Smith of AIM for their various contributions during the year and we look forward to continuing a cooperative and mutually beneficial relationship.

I want to thank my colleagues on the Board for their service to the UAPP and personal support and guidance to me in my role as Chair. I would also like to welcome Anne Stalker, who is replacing Ted Horbulyk, to the Board and look forward to working with her.

As is well-known, the UAPP relies on a small team to carry out its mandate and related functions. It is my great pleasure to thank our Executive Director, Virendra Gupta, and the rest of the UAPP team for their excellent service and dedication to the UAPP.



Nancy Walker
Chair, Board of Trustees



The Board of Trustees' (Board) key objectives are to secure the Plan's benefits and provide quality pension services to Plan members. To achieve these objectives, the Board:

1. maintains a diversified investment portfolio that, over the long term, is expected to meet or exceed the 4.0% real rate of return used by the actuary to estimate the Plan's liability;
2. adjusts contribution rates to keep the Plan on a sound financial track and to abide by the funding requirements of the Employment Pension Plans Act; and
3. works with employers and service providers to provide quality pension administration services and effective communications with Plan members.

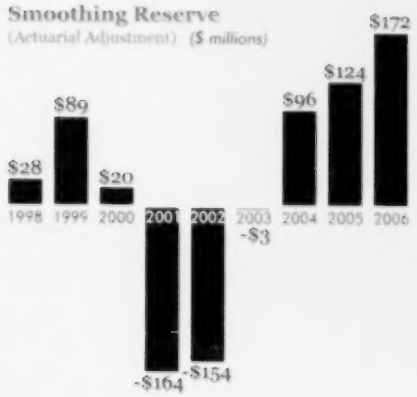
FINANCIAL POSITION OF THE PLAN

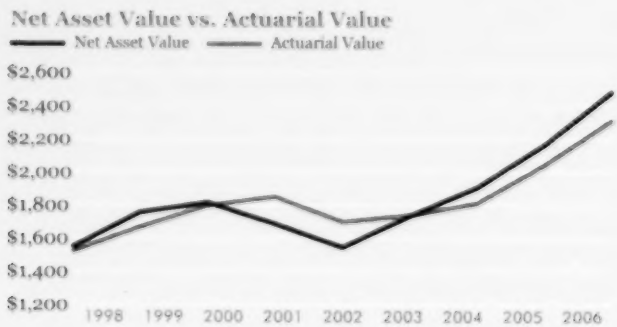
The Plan's Assets

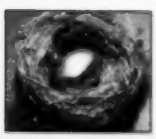
The market value of the Plan's net assets grew to $2,477 million from $2,162 million at the end of 2005. This reflects a return of 15.2% in 2006 following returns of 14.4% in 2005 and 11.7% in 2004. The actuarial value of the Fund grew to $2,305 million in 2006 from $2,038 million at the end of 2005. The Plan uses a three-year averaging method based on the assumed rate of return as described in Note 2(c) of the Financial Statements to calculate the actuarial value of assets.

The actuarial value of the Fund is used to determine the contributions required under the Plan because it is expected to be less volatile than the market value. The relatively lower volatility of the actuarial value of assets helps reduce the magnitude of the change in contribution rates that would otherwise be required under the funding requirements of the Employment Pension Plans Act and Regulations when the Fund returns vary substantially from the assumed discount rate. In better-than-expected capital markets, the market value of assets will tend to be higher than the actuarial value, and in poorer-than-expected markets, the opposite will tend to happen. The difference between the market value and the actuarial value can be seen as a smoothing reserve. The return of 15.2% in 2006, as compared to the actuarially assumed return of 6.75%, raised the smoothing reserve to $172 million from $124 million at the end of 2005. The size of the smoothing reserve is at the highest level ever and equalled more than 6.3% of the total liability of the Plan at the end of 2006.

($ millions)	December 31, 2006			December 31, 2005		
	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Fair Value of Net Assets	1,240.5	1,236.8	2,477.3	1,152.2	1,010.2	2,162.4
Actuarial Adjustment	(90.0)	(82.2)	(172.2)	(68.0)	(55.9)	(123.9)
Actuarial Value of Net Assets	1,150.5	1,154.6	2,305.1	1,084.2	954.3	2,038.5
Accrued Pension Liability	1,550.0	1,164.2	2,714.2	1,544.5	1,031.4	2,575.9
Actuarial Deficiency	(399.5)	(9.6)	(409.1)	(460.3)	(77.1)	(537.4)
Funded Ratio	74.2%	99.2%	84.9%	70.2%	92.5%	79.1%







The Plan's Liabilities

The Plan's accrued pension liability as of December 31, 2006 was $2,714.2 million. This represents a growth of 5.4% over the December 31, 2005 liability. The liability number was extrapolated by the actuary based on the assumptions and methods used in the December 31, 2004 actuarial valuation.

The Plan's Funded Ratio based on Actuarial Value of Net Assets increased to 84.9% at the end of 2006 from 79.1% at the end of 2005. It should be noted that this calculation does not include the assets represented by the Province of Alberta's share of the pre-1992 unfunded liability, which is estimated at $202.8 million and equals about 7.5% of the total accrued liability. Adding this amount to the value of the assets would raise the Plan's funded ratio to over 92%.

Looking to the Future

The market value of the Fund grew to $2,477 million at the end of 2006 from $1,731 million at the end of 2003, a growth of 43%. The Plan continues to see a healthy growth in its membership. The active membership grew at an annual compound rate of more than 4.0% over the last ten years.

The strong, double-digit investment gains made by the UAPP over the last four years have strengthened the balance sheet of the Plan. Further, because of growth in Plan membership and increases in contribution rates, the gap between the benefits paid and the contributions received had narrowed to $10.6 million in 2006 from $34.0 million in 2002.

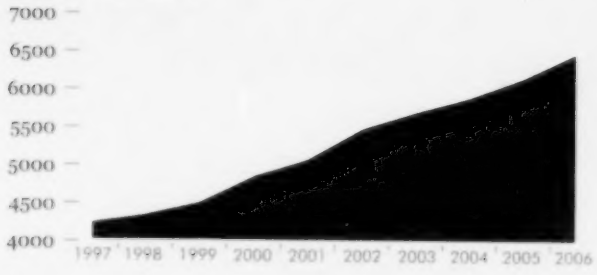
The liability extrapolated by the actuary shows that the post-1991 service is approaching full funding and the total Plan's funded ratio is estimated to be 84.9% at the end of 2006. The Board will undertake an actuarial valuation of the Plan as at the end of 2006. The progress in the Plan's funded ratio and the contributions required to fund the Plan depend on the future course of several key variables.

On the liability side, the major factors are:

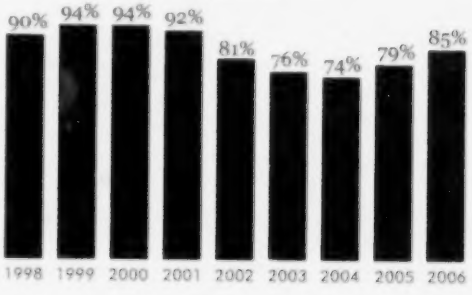
1. Long Bond Rates

   Long bond rates prevailing at the time of an actuarial valuation is a key variable that is used by actuaries in building the discount rate employed in calculating the present value of the expected future pension payments. As noted in the table of Sensitivity Changes in Major Assumptions in Note 8(b) of the Financial Statements, keeping all other assumptions constant, a 1% decrease in the discount rate (assumed investment rate of return) would increase the liabilities by about 13% and raise the current service costs of the Plan by 3.3% of pensionable salary. Due to the change in long bond rates, the discount rate used in the Plan fell from 8.5% in the early 1990s to 6.75% in the 2004 valuation. This change gives a measure of the increase in the estimated liability that the Plan has had to cope with over this period due to this factor alone. As can be seen from the graph above, long bond rates have dropped further since the 2004 valuation.

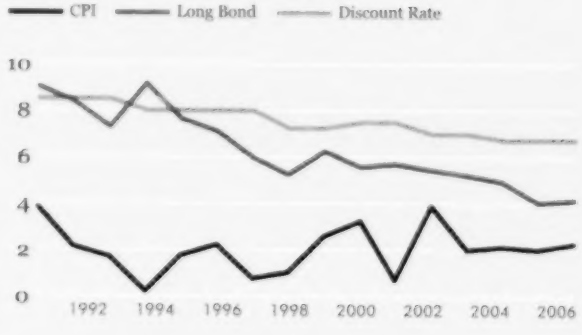
Active Members

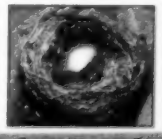


Funded Status based on Actuarial Value of Assets



The Plan Discounted Rate, Long Bond Yields and Inflation





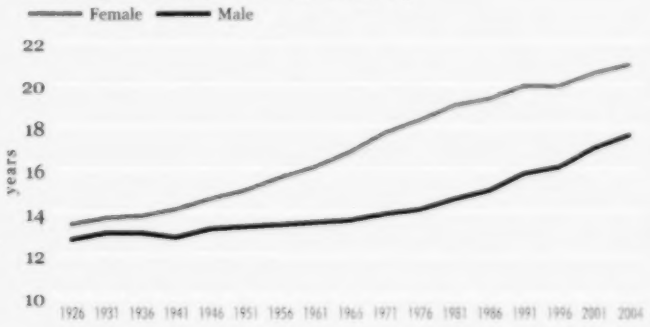
2. Wage Growth

As the UAPP's benefits are based on highest average salary, they grow with increases in salaries. Higher wage increases mean higher benefits that equal higher liabilities and those in turn require higher contributions to fund. Actuarial valuations include assumptions about wage growth, but higher-than-assumed increases produce actuarial losses that are recognized and taken into account in determining required contributions in a subsequent valuation. Alberta's economy continues to experience strong wage pressures.

3. Improvements in Life Expectancy

Since life expectancy determines, on the average, how long a pension will be paid to a retiree, it is a key factor in determining the costs of a pension plan. According to Statistics Canada, life expectancy for males (at birth) increased from 58 years in 1926 to 77.7 years in 2004 and for females from 59.9 years to 82.5 years in the same period. Data shows that life expectancy for females (at age 65) improved from 19.9 years in 1991 to 20.9 years in 2004 and corresponding increase for males (at age 65) was from 15.8 years to 17.6 years. These are substantial improvements in life expectancy. Though the experts continue to debate whether these increases will continue or whether the human longevity is reaching its limits, further improvements can only mean that pension costs will continue to increase.

Life Expectancy (in years) at Age 65



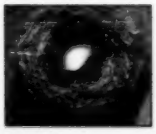
4. Early Retirement Rates

Vested members under the UAPP can retire with an unreduced pension at age 60 or after age 55 when age plus pensionable service equals 80. Retirement at younger ages without a full actuarial reduction raises the costs of the Plan and retirement at age 65 or later lowers the costs. Depending on what age members retire, retirement rates have the potential to increase or lower the future costs of the Plan.

On the asset side, the Fund holds a highly diversified portfolio of equities, bonds and other investments across world markets in an attempt to generate optimal long-term returns within prudent risk levels.

These exposures and the associated risks taken have paid well in recent years. However, it should be noted that a portfolio is never without risks, especially in terms of short-term performance. While the markets are expected to go up in the long term, their short-term course is variable and hard to predict. The return in any one year will be highly influenced by how the capital markets in which the Fund is invested perform. Market corrections can be triggered by economic, geopolitical or other unexpected events. Even though 2006 marks the fourth year in a row when the Fund's long-term asset allocation has produced a double-digit return, markets should not be expected to go up steadily from one year to the next.

There are concerns that the US economic growth in 2007 may be lower than it has been in recent years. The US housing market has experienced substantial weakness and the defaults on subprime loans are rising. A slowdown in the US economy will negatively impact Canadian and global growth and corporate earnings. Despite the near-term concerns, most analysts' long-term economic and investment outlook remains unchanged. They do not see much change from the current low-inflation, low-interest rates and reasonable economic growth scenario. This, combined with the expectations of single-digit returns from capital markets, would imply that the Plan's funded position will improve gradually over time.



INVESTMENT REPORT

Investment Considerations and Approach

In developing the UAPP investment policy, several key factors have to be considered.

1. The investment returns earned by the Fund directly impact the size of the Plan's assets. The higher the returns, the greater the assets that will be available to make the benefit payments and potentially lower the contributions required in the long run from employers and employees to fund the Plan.
2. Asset classes with higher long-term returns tend to exhibit higher volatility (standard deviation) of returns. For example, the data for Canadian equities and long bonds from the start of 1926 to the end of 2005 shows that the annual compound return for equities exceeded that of bonds by 3.7% (9.9% vs. 6.2%). However, during the same period, the standard deviation of annual returns for equities was more than twice (18.7% vs. 8.9%) as large as for long bonds. This standard deviation or volatility of annual returns can be greater over shorter time horizons.
3. In setting the discount rate to estimate the present value of future payments (liability), actuaries are heavily influenced by the long bond rates prevailing at the time of an actuarial valuation.
4. The Employment Pension Plans Act requires the UAPP to perform an actuarial valuation at least once every three years and increase the contribution rates, if necessary, to meet the funding requirements.
5. Asset returns vary from year to year and can even be negative over short time periods. On the other hand, liability estimates tend to go up steadily from one year to the next as members earn more service and the interest on the accumulated liability is accrued.
6. The volatility associated with equity markets can be partially offset by diversification through investments in asset classes whose returns have low correlation with equities and among themselves.
7. Plan Sponsors and members are interested in taking advantage of the risk-sharing features of a defined benefit plan with a long time horizon and keeping the Plan's costs manageable. Given the current yields on long bonds of around 4.0%, the Fund has to seek higher returns and take risks associated with equity investments.

The management of the Plan requires an investment approach that seeks to obtain higher long-term returns while containing the potential volatility in short-term results. This approach underlines the UAPP's investment policy and risk management measures.

Investment Policy and Risk Management

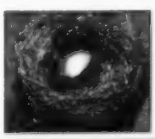
The UAPP's investment policies are set out in the Statement of Investment Policies & Goals (SIP&G) and are based on the investment beliefs and expectations of the Board. The asset mix policy, or the Fund's long-term allocation to the different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that the Board diversifies its investments across asset classes and seeks a balance between the objective of higher long-term returns and the need to reduce shorter-term volatility in those returns.

In the process of making such a decision, the Board may do a comprehensive Asset/Liability study for the Plan. An Asset/Liability study analyzes the risk-return profile of the existing asset mix and alternative asset mixes, including new asset classes, under different economic scenarios within the context of the Plan's liability structure. Traditionally, a comprehensive Asset/Liability study is usually done every four years or so. Between studies, the Board, through its Investment Committee, monitors on an ongoing basis the performance of the Fund, the funded status of the Plan, capital markets and economic developments and expectations. Based on this monitoring, the Board may make adjustments to the asset mix and take other appropriate measures to control risk or improve returns. The Board reviews the Investment Policy at least once a year.

After completing an Asset/Liability study in 2004, the Board revised the long-term target mix for the Plan. Changes included a first-time allocation of 5.0% of the Fund to real estate and 2.5% to private income securities, and corresponding reductions in allocations to cash and short-term securities and in real return bonds. As investments were made in these new asset classes, the allocation to fixed income securities was reduced to 27.5% of the Fund over time. The move into real estate and private income securities reflects an expectation of low returns in the near term in the public markets, a desire to diversify sources of return within the Fund and a need to maintain an inflation-sensitive stream of income reflective of the Plan's long-term funding requirements.

In 2005, the Board reviewed the results of initial investments in the new asset classes and decided to increase the long-term target for private income from 2.5% to 5.0%. A decision was also made to invest up to 1.0% of the Fund in timberland within the private income allocation. Finally, the Board decided that the increase in the private income investments will be funded, when required, by decreasing the allocation to investments in EAFE and emerging markets securities.

Early in 2006, the Board approved a shift of 5.0% of the Fund from long duration bonds to universe bonds. This decision was



driven in part by a view that with a relatively flat yield curve, the Fund was not going to be as well-compensated for maintaining a long duration as in the past. The shift to universe bonds reduced the overall duration of the fixed income component of the Portfolio. It also increased the opportunities for credit exposure and permitted the introduction of mortgages into the Portfolio. In mid-2006, the Board also approved an amendment to the active/passive allocation for Canadian equity. This allowed participation in a pool with more active management on a risk-controlled basis in small and mid-range Canadian companies.

In 2006, the Board also undertook a major review of general risk controls, compliance, investment reporting and other features built into the SIP&G. This review resulted in a major overhaul of the Investment Policy to more clearly articulate these aspects of the Policy.

The table below summarizes the Board's long-term target asset mix and the actual asset mix at the end of 2006 and 2005. A copy of the full text of the UAPP's SIP&G is available on the UAPP website www.uapp.ca under Publications.

As can be seen from the table, the Fund holds a highly diversified portfolio of investments in fixed income, Canadian, US and other equity markets across the world. This includes participation in both passively and actively managed pools. The exposure to these equity markets also includes investments in small cap stocks, which are actively managed. The Portfolio is exposed to credit risk through bond holdings, swap products and mortgages. Based on the view that currencies are a zero sum game in the long run, currency exposure to non-Canadian markets is largely unhedged. Therefore, the returns from non-Canadian markets will be impacted by the changes in the exchange value of the Canadian dollar. The UAPP is also moving towards a higher allocation to real estate and infrastructure types of investments which, along with their many desirable characteristics, carry investment-specific and active management risks.

ASSET MIX %

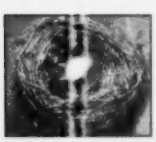
December 31, 2006	Long-Term Target Asset Mix	Policy Asset Mix		Actual	
		2006	2005	2006	2005
Fixed Income					
Cash & Short-term	0.5%	0.5%	0.5%	0.5%	0.6%
Universe Bonds & Mortgages	5.0%	5.0%	0.0%	4.9%	0.0%
Long Duration Bonds	13.0%	13.0%	18.0%	12.6%	17.2%
Real Return Bonds	9.0%	10.5%	11.5%	9.5%	11.4%
Total	**27.5%**	29.0%	**30.0%**	27.5%	**29.2%**
Public Equities					
Canadian	20.0%	20.0%	20.0%	18.4%	20.5%
United States	20.0%	20.0%	20.0%	21.1%	19.3%
Europe, Australasia, Far East	20.0%	22.0%	22.0%	22.8%	21.9%
Emerging Markets	2.5%	3.0%	3.0%	3.4%	3.7%
	62.5%	65.0%	**65.0%**	65.7%	**65.4%**
Real Estate	5.0%	4.5%	3.5%	4.9%	3.9%
Alternative Investments	5.0%	1.5%	1.5%	1.9%	1.5%
Total	100%	100%	100%	100%	100%

Investment Management

In addition to the investment risk associated with setting an asset mix, there is also the risk related to implementation of the investment Policy. The UAPP Fund is invested through Alberta Investment Management (AIM) who manages the investments and carries out the day-to-day operations within the framework set by the Board's SIP&G. AIM invests approximately $69 billion on behalf of the Government of Alberta and other public sector pension plans. It has a large professional investment staff and offers a wide array of investment capabilities.

To mitigate implementation risk, clearly defined benchmarks, guidelines, standards and controls have been established at both the total Fund and asset class levels. AIM has the flexibility to act within the prescribed limits in order to add value over the policy benchmark. Both compliance with the SIP&G and performance against the specified benchmarks are monitored formally on a quarterly basis.

The operational risk is further lessened through complementing the internal investment management teams within AIM with third party investment management firms engaged by AIM to carry out specialized mandates in the Canadian, US, and non-North American equity markets. Finally, the Board has retained an independent asset consultant, Aon Consulting Inc., to



provide evaluation of both AIM and its external managers on a regular basis.

The relationship with AIM allows the UAPP to implement an investment program based on its investment beliefs and policies while benefiting from the economies of scale and the broad scope of investment possibilities that come with a large investment pool. This relationship helps lower the UAPP's costs and provides access to a wider set of investment opportunities.

Proxy Voting

The Board has delegated to the Investment Manager the responsibility for voting proxies. AIM's proxy voting policies support best practice guidelines for corporate governance. They encourage responsible management practices and proxies are voted in the best interests of the Plan through a service provider.

Evaluating Investment Performance

A key assumption in calculating the Plan's liabilities is the long-term real rate of return, i.e. the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this assumption. Over the last several valuations, the Plan's actuary has used a long-term real return rate of 4.0% in estimating the liabilities and, therefore, this number is the long-term investment return target for the Plan.

The Plan's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks. In this case, the actual performance of the Fund is measured against a policy benchmark return calculated using the Plan's policy allocation to each asset class and the market index return for the specific class.

Finally, investment performance can also be compared to other funds. This comparison is meaningful only to the extent that the funds being compared have similar investment objectives, risks and other policies and constraints. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities. As a result, such comparisons among funds are best made at the asset class level.

2006 Fund Performance

Investment performance was strong in 2006. The Fund posted a return of 15.2% net of fees for the year compared to 14.4% in 2005. This fourth year in a row of double-digit returns resulted in the market value of the Fund growing to $2.466 billion at year-end. This is an increase of $314 million from $2.152 billion at the end of the previous year.

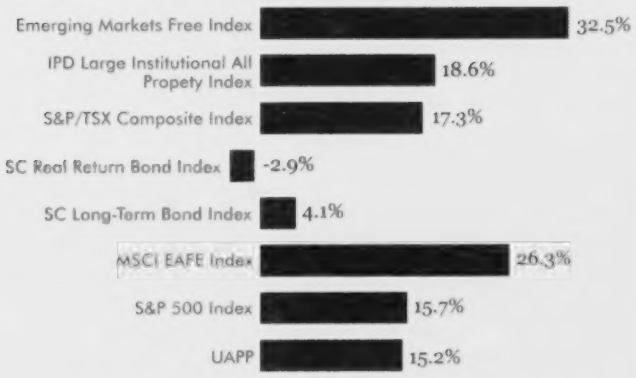
The Fund has been well-compensated for its diversified portfolio, particularly for its significant investments in the EAFE and emerging markets equities. All asset classes except real return bonds added to the performance of the Fund. Unlike previous years, the unhedged exposure to non-Canadian markets was also a net positive for the Fund. Emerging markets, at 32.5%, were again the best-performing asset class. In a reversal of recent years' performance, real return bonds posted a return of -2.9% in 2006. However, all equity markets posted double-digit positive returns.

The chart on the bottom left summarizes the returns of various market indexes and the return of UAPP.

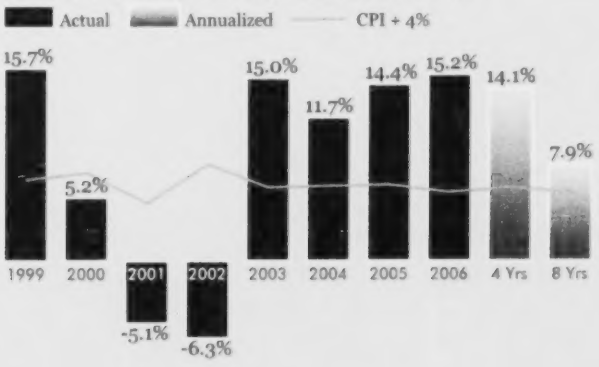
The chart below compares the Plan's actual investment returns to the actuarially-assumed real return objective of 4.0% per annum for each of the last eight years and on a compound annualized basis for the 4- and 8-year periods.

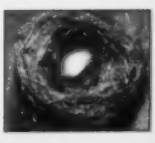
Returns over the last four years have been very strong. Because of this, despite the negative returns in 2001 and 2002, now the Plan's annualized real rate of return over the last four-year and eight-year periods once again exceeds the Plan's long-term actuarial assumption of a 4.0% real rate of return.

Returns for Major Markets and the UAPP



Fund Return and the Assumed Real Return

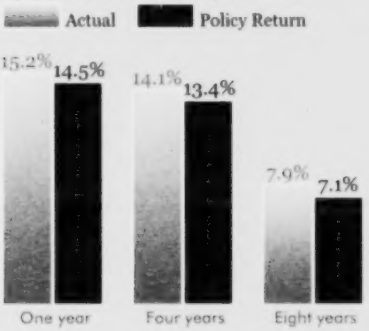




Actual Versus Policy Return

As of the end of 2006, on a net basis (after all fees) at the total Fund level, investment management has added nearly 80 basis points (bps; one basis point equals .01%) to the Plan's return each year on a compound annualized basis over the last eight years.

Actual versus Policy Return



PERFORMANCE BY ASSET CLASS

Fixed Income Investments

The UAPP fixed income component includes cash, universe bonds and mortgages, long duration bonds and real return bonds, totaling 27.5% of total investments or $679 million at December 31, 2006 (29.2% or $629 million at December 31, 2005).

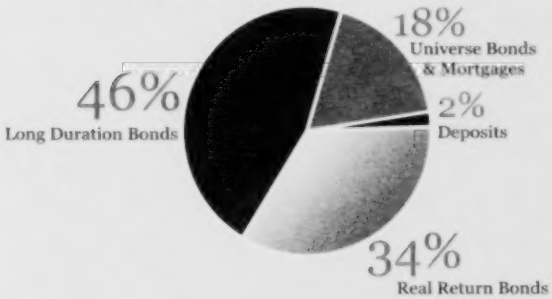
Overall, the Plan's fixed income investments out-performed the benchmarks. Long bonds returned 4.2% in 2006 compared to the combined benchmark (Scotia Capital (SC) Long Bond Index and SC Bond Universe Index) of 3.5%, while real return bonds returned negative 2.9% versus the Scotia Capital Real Return Bond Index of negative 2.9%. The cash and short-term component (which fluctuates between 0.5% and 1.0% of total Plan assets) had a return of 4.2%, compared to 4.0% from the Scotia Capital 91-Day T-bill Index.

	Actual Return	Benchmark Index SC 91-Day T-Bill Index	Net Value Added
Short-term Fixed Income	%	%	bps
One year	4.2	4.0	20
Four year	3.0	2.9	10

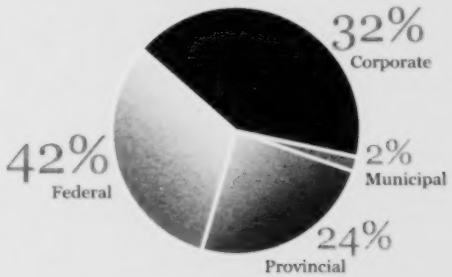
	Actual Return	Benchmark Index SC Long Bond Index & Bond Universe Index	Net Value Added
Long Bonds	%	%	bps
One year	4.2	3.5	70
Four year	9.4	9.1	30

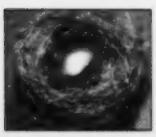
	Actual Return	Benchmark Index SC Real Return Index	Net Value Added
Real Return Bonds	%	%	bps
One year	-2.9	-2.9	0
Four year	10.6	10.5	10

Summary of Fixed Income Holdings
(by type of security)



Summary of Fixed Income Holdings
(issued & guaranteed by)

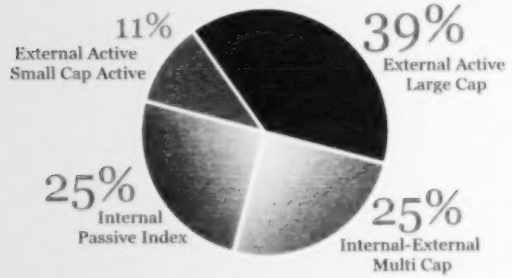




Canadian Equities

At December 31, 2006, Canadian equities represented 18.4% of the Plan's total investments or $456 million compared to 20.5% or $441 million at the end of the previous year. Canadian equities are managed through several strategies including both indexed and active mandates. AIM internally manages the passive index while external investment managers actively manage the large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles) and the small cap strategy.

Summary of Canadian Equity Holdings



Canadian Equity Holdings By Industry Sector		2006 %	2005 %
1	Financials	30	31
2	Energy	23	25
3	Materials	15	14
4	Industrials	9	8
5	Consumer discretionary	7	7
6	Telecommunications	6	5
7	Information technology	5	4
8	Consumer staples	3	4
9	Health care	1	1
10	Utilities	1	1
		100	100

The actual return from Canadian equity investments over the year was 18.4%, 110 basis points better than the combined benchmark S&P/TSX Composite Index and BMO Small Cap Index of 17.3%.

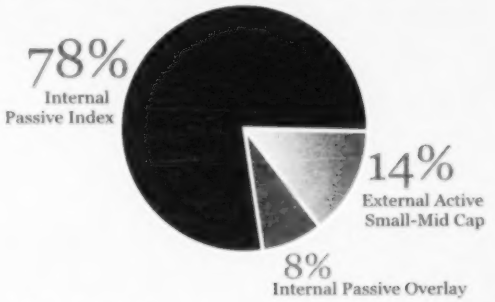
While the overall return from Canadian equities outperformed the combined benchmark, the actual return from the externally-managed small cap strategy underperformed its benchmark. In 2006, the Plan's return from small-cap equity investments was 13.4%, 320 basis points less than the benchmark BMO Small Cap Index of 16.6%.

Canadian Equities	Actual Return %	Benchmark Index S&P/TSX Composite & BMO Small Cap Indexes %	Net Value Added bps
One year	18.4	17.3	110
Four year	20.9	20.6	30

US Equities

At December 31, 2006, US equities comprised 21.1% of the Plan's total investments or $520 million compared to 19.3% or $415 million the previous year. The Portfolio is comprised of internally-managed passive index strategies and externally-managed active small-mid cap strategies.

Summary of United States Equity Holdings

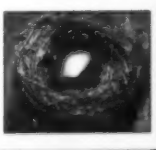


United States Equity Holdings By Industry Sector		2006 %	2005 %
1	Financials	22	21
2	Information technology	16	15
3	Health care	12	14
4	Industrials	12	12
5	Consumer discretionary	11	11
6	Energy	9	9
7	Consumer staples	8	8
8	Utilities	4	3
9	Materials	3	4
10	Telecommunications	3	3
		100	100

The Plan's actual return from US equity investments in 2006 was 15.2%, 60 basis points less than the combined benchmark S&P 500 Index and Russell 2500 Index of 15.8% in Canadian dollars.

The under-performance in 2006 from US equities was due to the externally-managed small-mid cap strategy which, after a strong run over the previous years, returned 150 basis points less than the benchmark Russell 2500 Index of 16.1% in 2006.

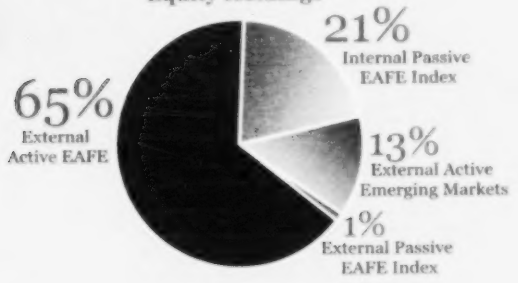
US Equities	Actual Return %	Benchmark Index S&P 500 & Russell 2500 Indexes %	Net Value Added bps
One year	15.2	15.8	-60
Four year	7.3	6.8	50



NON-NORTH AMERICAN EQUITIES

At December 31, 2006, the Plan's non-North American exposure comprised 26.2% of total plan investments or $646 million compared to 25.6% or $551 million the previous year. The non-North American equity portfolio is comprised of EAFE and emerging market equities.

Summary of Non-North American Equity Holdings



Non-North American Equity Holdings By Industry Sector		2006 %	2005 %
1	Financials	29	28
2	Consumer discretionary	13	12
3	Industrials	13	13
4	Materials	8	8
5	Energy	7	8
6	Health care	7	8
7	Consumer staples	6	7
8	Information technology	6	6
9	Telecommunications	6	6
10	Utilities	5	4
		100	100

Europe, Australasia and Far East (EAFE)

At December 31, 2006, the Plan's EAFE exposure comprised 22.8% of total Plan investments or $563 million compared to 21.9% or $472 million the previous year. The EAFE equity portfolio is comprised of internally-managed passive EAFE index strategies and externally-managed EAFE active strategies.

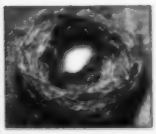
The Plan's actual return from EAFE equity investments in 2006 was 26.4%, 10 basis points better than the benchmark return MSCI EAFE Index of 26.3% in Canadian dollars.

	Actual Return	Benchmark Index MSCI EAFE Index	Net Value Added
Europe, Australasia & Far East	%	%	bps
One year	26.4	26.3	10
Four year	15.9	15.2	70

Emerging Markets

At December 31, 2006, the Plan's emerging market portfolio totalled 3.4% of total Plan investments or $83 million compared to 3.7% or $79 million the previous year. The emerging market mandate returned 31.0% in 2006, 150 basis points less than the MSCI Emerging Market Free Index of 32.5% in Canadian dollars. The emerging markets portfolio is an externally-managed active strategy.

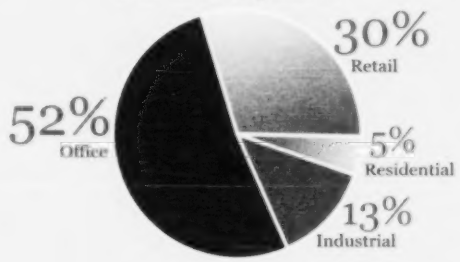
	Actual Return	Benchmark Index MSCI Emerging Market Free Index	Net Value Added
Emerging Markets	%	%	bps
One year	31.0	32.5	-150
Four year	26.6	26.9	-30



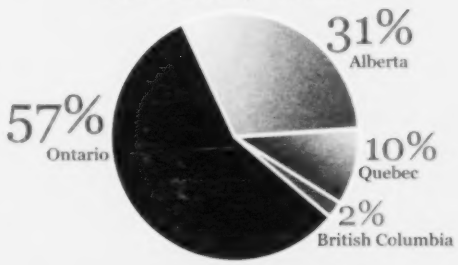
Real Estate

At December 31, 2006, real estate investments comprised 4.9% of total Plan investments or $120 million compared to 3.9% or $83 million the previous year. Real estate investments provide diversification and protection from inflation. The real estate portfolio includes a mix of office, retail, industrial and residential properties located in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties featuring strong locations and tenants.

Real Estate by Sector



Real Estate by Province



Top Five Real Estate Holdings
as at December 31, 2006

Property	Location	Sector
Yorkdale Shopping Centre	Toronto, Ontario	Retail
Place Ville Marie	Montreal, Quebec	Office
Square One Shopping Centre	Mississauga, Ontario	Retail
Scarborough Town Centre	Toronto, Ontario	Retail
Bow Valley Square	Calgary, Alberta	Office

The Plan's actual return from real estate investments in 2006 was 21.3%, 270 basis points better than the benchmark return Investment Property Databank (IPD) Large Institutional All Property Index of 18.6%.

		Benchmark Index IPD Large Institutional	
	Actual Return	All Property Index	Net Value Added
Real Estate	%	%	bps
One year	21.3	18.6	270
Four year	n/a	n/a	n/a

Alternative Investments

The Plan's alternative investment portfolio consists of private income securities and timberland investments. Private income securities include infrastructure-related projects that are structured to yield high current income. Timberland investments provide high current income and long investment horizons. At December 31, 2006, private income securities comprised 1.7% of total Plan investments or $42 million compared to 1.3% or $28 million at the end of the previous year. Timberland investments represent a partnership interest in forestry lands located in British Columbia. Timberland investments comprised 0.2% of total Plan investments, or $4 million.

Alternative Investments

The performance of alternative investments, with the exception of timberland, is compared to the Canadian Consumer Price Index (CPI) plus 6.0%. In 2006, alternative investments returned 22.6% compared to the benchmark of 7.4%. Because timberland holdings are below 0.5% of the Fund, the timberland benchmark is not included in the Fund's policy benchmark.

		Benchmark Index Consumer Price Index (CPI)	
	Actual Return	Plus 6%	Net Value Added
Alternative Investments	%	%	bps
One year	22.6	7.4	1520
Four year	n/a	n/a	n/a

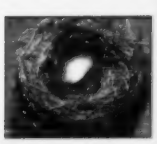


Table of Investment Returns

	Annual Returns				Annualized	
	2006	2005	2004	2003	4yr	8yr
	%	%	%	%	%	%
Total Fund (A)	15.2	14.4	11.7	15.0	14.1	7.9
Policy Return	14.5	13.4	11.8	14.0	13.4	7.1
Consumer Price Index (B)	1.6	2.2	2.1	2.0	2.0	1.6
Short-term Fixed Income	4.2	2.8	2.2	3.0	3.0	3.8
SC 91-Day T-Bill Index	4.0	2.6	2.3	2.9	2.9	3.6
Long Duration Bonds	4.2	13.8	10.4	9.4	9.4	7.7
Bond Index (C)	3.5	13.8	10.3	9.1	9.1	8.0
Real Return Bonds	-2.9	15.2	17.6	13.5	10.6	10.0
SC Real Return Bond Index	-2.9	15.2	17.5	13.3	10.5	10.2
Total Fixed Income	1.7	14.2	13.6	11.1	10.0	8.4
Fixed Income Index (D)	1.2	14.2	13.2	10.6	9.6	8.2
Canadian Equities	18.4	24.4	14.9	26.4	20.9	11.5
Canadian Equity Index (E)	17.3	23.7	14.9	26.7	20.6	10.8
United States Equities	15.2	2.3	4.0	7.8	7.3	0.4
US Equity Index (F)	15.8	2.1	4.3	5.3	6.8	0.1
Europe, Australasia and Far East	26.4	11.8	11.7	14.3	15.9	6.1
MSCI EAFE Index	26.3	10.0	12.0	13.4	15.2	3.4
Emerging Markets	31.0	30.4	20.1	25.1	26.6	n/a
MSCI Emerging Markets Free	32.5	30.3	17.3	27.8	26.9	n/a
Foreign Equity	22.0	9.0	8.9	12.3	12.9	4.3
Foreign Equity Index (G)	22.1	7.9	8.9	10.7	12.3	2.6
Real Estate	21.3	29.9	n/a	n/a	n/a	n/a
IPD Large Institutional All Property Index (H)	18.6	19.4	n/a	n/a	n/a	n/a
Alternative Investments	22.6	18.3	4.5	n/a	n/a	n/a
CPI plus 6% (I)	7.4	8.0	n/a	n/a	n/a	n/a

(A) The 2005 policy benchmark return has been updated to include the published IPD Large Institutional All Property Index for the fourth quarter of 2005 and 2004. In the UAPP's published 2005 Annual Report, the estimated policy benchmark return was 13.5%.

(B) The Consumer Price Index (CPI) is reported on a real-time basis.

(C) Combination of SC Long Bond Index and Bond Universe Index.

(D) Combination of SC 91-Day T-Bill, Long Bond, Bond Universe and Real Return Bond Index.

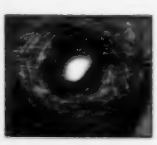
(E) Combination of S&P/TSX Capped Composite Index and BMO Small Cap Index.

(F) Combination of S&P 500 Index and Russell 2500 Index.

(G) Combination of S&P 500 Index, Russell 2500 Index, MSCI EAFE Index, MSCI Emerging Markets Free Index.

(H) The 2005 Real Estate benchmark return has been updated to include the published IPD Large Institutional All Property Index for the fourth quarter of 2005. In the UAPP's published 2005 Annual Report, the estimated IPD Large Institutional All Property Index was 20.8%.

(I) Combined CPI+6% for Private Income and CPI+4% for Timberlands. The CPI in this benchmark is calculated and reported on a one-month lagged basis due to timing difference in reporting between AIM and Statistics Canada throughout the year.



ADMINISTRATION REPORT

The Board is responsible for the operation and administration of the UAPP. This includes the collection of member data and contributions, the calculation and payment of pensions and other benefits, and the communication of pension information to members, pensioners and employers. The 2006 results in these areas are as follows.

Active Membership & Contributions

Active membership in the UAPP increased by 5.9% in 2006, rising to 6,545 at December 31, 2006 from 6,179 at the end of 2005. As a result of increased membership and salaries, total contributions received from employers, employees and the Province of Alberta grew by 9.4% to $121.9 million in 2006 from $111.4 million in 2005.

Pensioners & Benefit Payments

The number of former employees and their spouses receiving a pension from the UAPP increased by 6.0%, rising to 3,184 in 2006 from 3,005 in 2005. During the year, the total payments of benefits to pensioners rose by 6.7% (2005: 6.3%) to $122.1 million in 2006 from $114.4 million in 2005. The most popular pension choice among the new retirees with a spouse was a Joint Life-2/3 spouse with a 10-year guarantee. Pensioners were granted a cost-of-living increase of 1.20% effective January 1, 2006.

Terminated & Deferred Members

Termination benefits amounting to $10.5 million (2005: $8.3 million) were paid during the year to or on behalf of former members of the UAPP. The number of members who terminated their employment with a UAPP employer, but had not made a choice regarding their benefit, climbed to 984 at the end of 2006 from 913 in 2005.

Plan Expenses

Management works hard to provide services in an efficient and cost-effective manner. In 2006, the UAPP's administration expenses amounted to $1.6 million ($152 per member) compared to $1.3 million ($134 per member) in 2005.

Statistics

PARTICIPATION

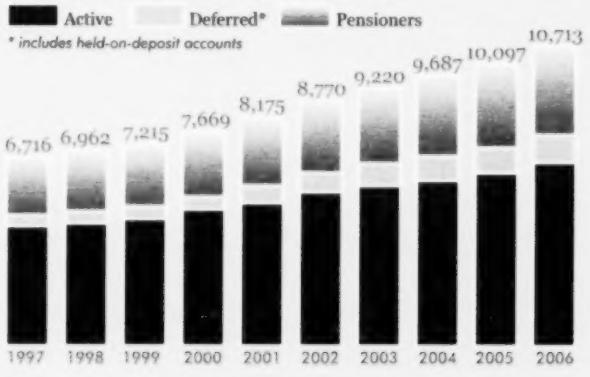
	2006	2005
Active Members	6,545	6,179
Deferred Members*	984	913
Pensioners	3,184	3,005
TOTAL	10,713	10,097

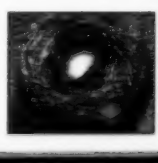
*includes held-on-deposit accounts

NEW PENSIONERS

	2006	2005
Normal Retirements	70	62
Early Retirements	122	112
Death Benefits to Spouses	4	5
TOTAL	196	179

Growth of Members and Pensioners





NEW PENSIONER RETIREMENT CHOICES

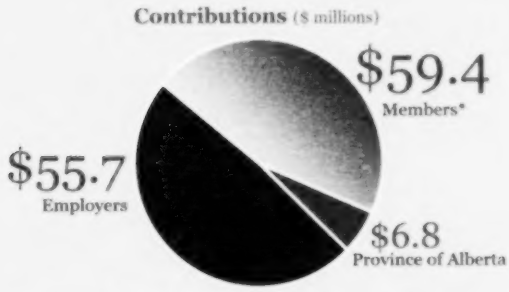
During 2006

	2006	2005
Single life – with or without guarantee	66	48
Joint life – 2/3 spouse, no guarantee	27	19
Joint life – 2/3 spouse, 10-year guarantee	42	45
Joint life – 100% spouse, no guarantee	20	16
Joint life – 100% spouse, 10-yr guarantee	41	51
TOTAL	196	179

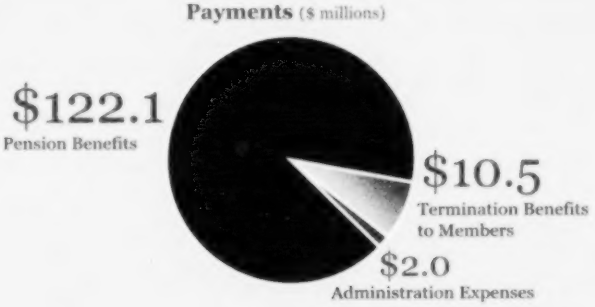
MONTHLY PAYMENT DISTRIBUTION

As at December 31, 2006

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	252	17	269
1,000 to 1,999	428	41	469
2,000 to 2,999	570	33	603
3,000 to 3,999	717	23	740
4,000 and over	1,096	7	1,103
TOTAL	3,063	121	3,184



* members' contributions include prior service contributions



Plan Communications

Member Handbooks were updated and distributed in 2006, and the Communiqué was issued quarterly to update members and employers on topical subjects related to pensions. In addition, members were provided with a personal annual statement giving the details of their entitlements to the end of 2005.

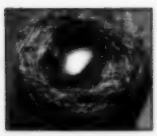
Plan members and other interested persons are visiting the UAPP website in increasing numbers. Just over 38,000 hits were made on the site in 2006, compared to around 15,600 hits in 2005. Popular subjects of interest included: What's New, Member Handbook, Information Sheets, the Annual Report and the Communiqué. The Trustees' Office also receives comments and questions from members who use the Feedback feature on the website. Future plans include further building on this feature to survey members' views and suggestions. Direct feedback from members is particularly helpful in understanding their needs and designing future service improvements.

Plan members continue to make use of the call center for pension-related information. In 2006, there were over 1,500 calls handled by the call center. Plan members are also accessing the Retirement Planner. This web-based tool was introduced in 2005 and about 1,000 members checked out the Planner during that first year. In 2006, after the first burst of activity, just under 500 members used the Planner to assist them with their retirement planning.

During 2006, a number of pension seminars and workshops were made available to members and pension staff at the institutions. The seminars were well-attended, and members and pension staff expressed interest in having more of these provided in the future as they found them to be helpful and informative.

Amendments to the Sponsorship and Trust Agreement

Professional staff of the University of Calgary Faculty Association began participating in the Plan on July 1, 2006. This followed the amendments to the Plan's Sponsorship and Trust Agreement providing the professional staff of university faculty associations the opportunity to participate in the Plan. In addition, the criteria for participation in the Plan by staff at the Athabasca University was revised.



Initiatives in 2006

Initiatives scheduled for 2006 as reported in last year's Annual Report were completed.

A system of independent audits was implemented to confirm the accuracy of member data submitted by employers.

A review of pension forms, standard letters and other documents was conducted, the results of which led to revisions and improvements.

Services provided by third party administration service providers were reviewed, and extensive work is underway to clarify expectations and develop performance measures to ensure accurate, timely and consistent pension administration service to all UAPP members.

Pension information sessions were provided to members and pension staff at the institutions.

The Year Ahead

In 2006, meetings were held with employer and faculty association representatives to gain an understanding of pension administration issues and concerns. The major focus in 2007 will be to work with employers and service providers to clarify the roles and responsibilities and develop a strategy to better utilize the administration system's capabilities and improve service to members.

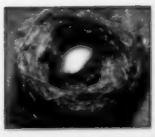
Key plans for 2007 include:

Working with employers and service providers to enhance data submissions.

Implementing and refining the performance standards for administration services.

Undertaking an administration review to clarify roles and identify opportunities to improve service delivery.

The major focus in 2007 will be to work with employers and service providers to clarify the roles and responsibilities and develop a strategy to better utilize the administration system's capabilities and improve service to members.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2006 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

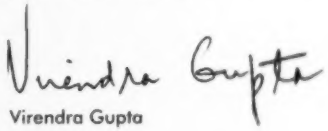
The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2006 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management (AIM) of Alberta Finance, acting in the capacity of investment manager, and ACS & Buck Consultants, an ACS Company and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

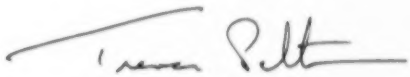
These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.



Virendra Gupta
Executive Director
Universities Academic Pension Plan



Trevor Pelton, CMA
Director, Finance and Administration
Universities Academic Pension Plan

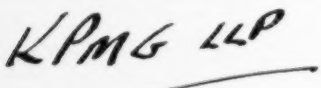
AUDITORS' REPORT

To the Board of Trustees of the Universities Academic Pension Plan

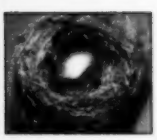
We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2006 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2006 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Edmonton, Canada
February 28, 2007



STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

As at December 31

	2006	2005
	($ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 2,466,437	$ 2,152,151
Accrued investment income and accounts receivable	904	567
Contributions receivable		
Employers	4,803	4,410
Employees	4,903	4,613
Province of Alberta	577	860
	2,477,624	2,162,601
Liabilities		
Accounts payable and accrued liabilities	352	216
Net assets available for benefits	2,477,272	2,162,385
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))	(172,200)	(123,900)
Actuarial value of net assets available for benefits	2,305,072	2,038,485
Actuarial deficiency (Note 8)	409,128	537,415
Accrued pension liability	**$ 2,714,200**	**$ 2,575,900**

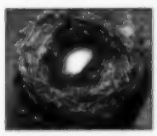
The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31

	2006	2005
	($ thousands)	
Contributions received		
Current and optional service		
Employers	$ 49,485	$ 42,893
Employees	53,119	51,089
Additional contributions to meet pre-1992 unfunded liability		
Employers	6,245	5,396
Employees	6,245	5,396
Province of Alberta	6,848	6,661
	121,942	111,435
Other income		
Net investment income (Note 6)	327,524	271,336
Payments made		
Pension benefits	(122,112)	(114,409)
Termination benefits	(10,467)	(8,287)
Plan expenses (Note 7)	(2,000)	(1,711)
	(134,579)	(124,407)
Increase in net assets	314,887	258,364
Net assets available for benefits at beginning of year	2,162,385	1,904,021
Net assets available for benefits at end of year	**$ 2,477,272**	**$ 2,162,385**

The accompanying notes and schedules are part of these financial statements.



STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

For the year ended December 31

	2006			2005
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Increase in accrued pension liability				
Interest accrued on liability	$ 104,300	$ 76,100	$ 180,400	$ 171,800
Benefits earned	-	88,400	88,400	84,500
Changes in TIAA-CREF* balances	100	-	100	400
Cost-of-living experience loss	5,200	1,200	6,400	-
	109,600	165,700	275,300	256,700
Decrease in accrued pension liability				
Benefits paid, including interest	104,100	32,900	137,000	126,900
Cost-of-living experience gain	-	-	-	5,900
	104,100	32,900	137,000	132,800
Net increase in accrued pension liability	5,500	132,800	138,300	123,900
Accrued pension liability at beginning of year	1,544,521	1,031,379	2,575,900	2,452,000
Accrued pension liability at end of year (Note 8)	**$ 1,550,021**	**$ 1,164,179**	$ 2,714,200	**$ 2,575,900**

* TIAA-CREF refers to the funds that certain members have with Sun Life in respect of service with their employers prior to the establishment of the UAPP in 1978.

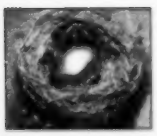
The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY

For the year ended December 31

	2006			2005
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Actuarial deficiency at beginning of year	$ 460,286	$ 77,129	$ 537,415	$ 643,979
Increase in net assets available for benefits	(88,265)	(226,622)	(314,887)	(258,364)
Net change in actuarial adjustment for fluctuation in fair value of net assets	22,000	26,300	48,300	27,900
Net increase in accrued pension liability	5,500	132,800	138,300	123,900
Actuarial deficiency at end of year	**$ 399,521**	**$ 9,607**	$ 409,128	**$ 537,415**

The accompanying notes and schedules are part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act*. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

(a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees and the professional staff of the University of Calgary Faculty Association also participate in the Plan.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions is equally split between employees and employers.

Under the *Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203)*, the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

The rates in effect as at December 31, 2006 were unchanged from December 31, 2005. Employees of the Universities of Alberta, Calgary and Lethbridge contribute at the rate of 9.175% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 11.575% on pensionable salary above the YMPE and up to the pensionable salary cap, and 1.14% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Employers and employees of the Board of Trustees and the professional staff of the University of Calgary Faculty Association contribute at the same rates as the employers and employees of the Universities of Alberta, Calgary and Lethbridge.

Employees of Athabasca University and The Banff Centre contribute at the rate of 8.675% of pensionable salaries up to the Canada Pension Plan's YMPE and 11.075% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide equal matching contributions of 1.14% on earnings above the pensionable salary cap.

(c) Retirement Benefits

The Plan provides for a pension based upon the average salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

(d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be paid.

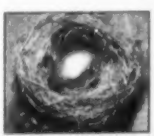
(e) Termination Benefits

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

...continued on page 24



Note 1 Summary Description of the Plan, continued...

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

(f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(g) Optional Service and Transfers

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

The fair value of alternative investments including investments in partnership interests, private investment funds and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance. This is done using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of timberland investments are appraised annually by independent third party evaluators.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models.

The fair values of deposits, receivables, accrued investment income and accounts payable and accrued liabilities are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

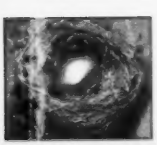
To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange; except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.



(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Swap option contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

Gains and losses on derivative contracts are recognized concurrently with changes in fair value.

(g) Measurement Uncertainty

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimates and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (See Note 2 (b) and Note 8 (b)).

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Long Bond Pool (CLDP) and the Canadian Dollar Public Bond Pool (CDPB) are managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long Term Bond Index and the Scotia Capital Universe Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The CLDP portfolio invests only in high quality fixed income instruments while the CDPB portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. To limit investment risk, the Pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The External Managers Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts. Participants deposit into the Pool a modest amount of cash to minimize rebalancing of cash flows in or out of the Pool when the forward foreign exchange contracts settle.

(f) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective of the Large Cap Pool is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period. The performance objective of the Small Cap Pool is to provide investment returns higher than the total return of the Bank of Montreal Small Cap Index over a four-year period. In both pools, reduction in return volatility is achieved by employing multiple managers, each of whom has a different investment style within the assigned market capitalization focus.

(g) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is comprised of investments in the External Managers Canadian Multi-Cap Pool. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period.

(h) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The US Structured Equity Pool is passively managed. The portfolio

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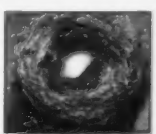


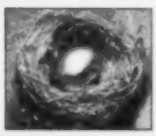
NOTE 3 INVESTMENTS (SCHEDULES B TO F)

	2006 Fair Value ($ thousands)	%	2005 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 10,772	0.4	$ 12,840	0.6
Canadian Dollar Long Bond Pool (b)	311,553	12.6	370,073	17.2
Canadian Dollar Public Bond Pool (b)	66,256	2.7	-	-
Real Rate of Return Bonds (c)	233,434	9.5	245,079	11.4
Private Mortgage Pool (d)	54,640	2.2	-	-
External Managers Currency Alpha Pool (e)	2,002	0.1	648	-
Total Fixed Income Securities	678,657	27.5	628,640	29.2
Canadian Equities (Schedule C)				
External Managers				
Canadian Large Cap Equity Pool (f)	192,015	7.8	183,540	8.5
Canadian Small Cap Equity Pool (f)	52,321	2.1	50,489	2.4
Canadian Multi-Cap Pool (g)	119,872	4.9	-	-
Domestic Passive Equity Pooled Fund (h)	118,613	4.8	228,239	10.6
Private Equity Pool (i)	5,852	0.2	1,851	0.1
Tactical Asset Allocation Pool: futures contracts (l)	(33,168)	(1.4)	(23,285)	(1.1)
	455,505	18.4	440,834	20.5
United States Equities (Schedule D)				
US Structured Equity Pool (j)	406,906	16.5	-	-
External Managers				
US Small/Mid Cap Equity Pool (k)	72,004	2.9	62,819	2.9
US Passive Equity Pooled Fund	-	-	295,105	13.7
Tactical Asset Allocation Pool: futures contracts (l)	41,411	1.7	29,087	1.4
S&P 500 Pooled Index Fund	-	-	28,427	1.3
	520,321	21.1	415,438	19.3
Non-North American Equities (Schedule E)				
External Managers				
EAFE Active Equity Pool (m)	422,403	17.1	351,594	16.3
Emerging Markets Equity Pool (n)	83,029	3.4	79,393	3.7
EAFE Passive Equity Pool (o)	4,505	0.2	7,414	0.3
EAFE Structured Equity Pooled Fund (o)	135,919	5.5	113,190	5.3
	645,856	26.2	551,591	25.6
Alternative Investments - Equities				
Private Income Pools (p)	42,188	1.7	27,710	1.3
Timberland Pool (q)	4,372	0.2	4,534	0.2
	46,560	1.9	32,244	1.5
Real Estate Equities (Schedule F)				
Private Real Estate Pool (r)	119,538	4.9	83,404	3.9
Total equities	1,787,780	72.5	1,523,511	70.8
Total investments	$ 2,466,437	100.0	$ 2,152,151	100.0

Note 3 Investments, continued

is comprised of publicly traded United States equities similar in weights to the Standard & Poor's S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index over a four-year period. The Pool utilizes a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the Pools also invest in futures, swaps and other structured investments.

(k) The External Managers US Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. The portfolios are actively managed by external managers with expertise in the US small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility through multiple manager investment styles and unique market capitalization focus.



(l) The Tactical Asset Allocation Pool is managed with the objective of providing a quick, effective and efficient way to adjust Canadian and United States equities exposures through synthetic instruments largely on an unfunded basis. The Pool is comprised of a long position through United States equity index futures contracts and a short position through Canadian equity futures contracts. Cash and Short-term Securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in Canadian and United States equity index futures contracts.

(m) The External Managers EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Each portfolio is actively managed by an external manager and has constraints on foreign currency management, country allocation, stock selection and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period while reducing return volatility through multiple manager investment styles and market diversification.

(n) The External Managers Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolios are actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free (MSCI EMF) Index over a four-year period.

(o) The External Managers EAFE (Europe, Australasia and Far East) Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE Index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities similar in weights to the MSCI EAFE Index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(p) The Private Income Pools are managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6% over the long term. The Pools invest in infrastructure-related projects that are structured to yield high current income.

(q) The Timberland Pool's performance objective is to provide a rate of return higher than the Consumer Price Index plus 4% over the long term. The Pool invests in a partnership interest in forestry land in British Columbia.

(r) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies, which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 27.5% fixed income instruments, 62.5% public equities, 5.0% real estate and 5.0% alternative investments. Investment risk is reduced through asset class diversification, diversification within each asset class, and quality constraints within asset classes. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount.

An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

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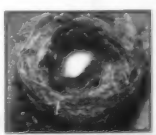


Note 5 Derivative Contracts, continued...

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2006:

	2006					2005	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value *	Notional Amount	Net Fair Value *
	%			($ thousands)			
Equity index swap contracts	76	24	-	$ 621,681	$ 21,908	$ 582,364	$ 13,899
Cross-currency interest rate swap contracts	21	36	43	173,894	6,806	130,971	8,678
Equity index futures contracts	100	-	-	165,995	5,313	118,731	1,599
Interest rate swap contracts	28	37	35	163,799	(761)	197,416	3,831
Forward foreign exchange contracts	100	-	-	118,407	(1,360)	76,344	(400)
Credit default swap contracts	13	27	60	72,280	280	54,547	509
Swap option contracts	73	9	17	61,258	(45)	-	-
Bond index swaps	100	-	-	23,930	684	10,793	754
				$ 1,401,244	$ 32,825	$ 1,171,166	$ 28,870

* *The method of determining fair value of derivative contracts is described in Note 2(f).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

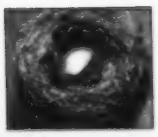
NOTE 6 NET INVESTMENT INCOME

Net investment income is comprised of the following:

	2006	2005
	($ thousands)	
Net realized and unrealized gains on investments, including those arising from derivative transactions	$ 248,528	$ 200,697
Interest income	54,475	50,715
Dividend income	23,196	19,866
Real estate income	4,775	3,090
Securities lending income	849	648
Pooled funds management and associated custodial fees	(4,299)	(3,680)
	$ 327,524	$ 271,336

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2006	2005
	($ thousands)	
Fixed Income Securities	$ 8,837	$ 80,548
Canadian Equities	80,132	92,937
Foreign Equities		
United States	67,695	8,589
Non-North American	142,491	69,017
Alternative Investments - Equities	8,619	4,187
Real Estate Equities	19,750	16,058
	$ 327,524	$ 271,336



NOTE 7 PLAN EXPENSES

	2006	2005
	($ thousands)	
General Plan costs	$ 1,581	$ 1,330
Investment management costs	419	381
	$ 2,000	$ 1,711

General Plan costs, including the costs for benefit administration and delivery, amounted to $152 per member (2005 $134 per member).

Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Finance on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $4,299,000 (2005 $3,680,000), which have been deducted in arriving at in the calculation of net investment income of the pools (see Note 6), are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.254% (2005: 0.249%) of assets under administration.

NOTE 8 ACCRUED PENSION LIABILITY

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2004 by the Plan's actuarial consultants, Mercer Human Resource Consulting, and was then extrapolated to December 31, 2006.

The actuarial liabilities were determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

The major assumptions used were:

	2006 Extrapolation %	2004 Valuation and 2005 Extrapolation %
Asset real rate of return	4.0	4.0
Inflation rate	2.75	2.75
Investment return (discount rate)	6.75	6.75
Salary escalation rate *	2.75	2.75
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

** In addition to merit and promotion*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2006 allocated between the pre-1992 and post-1991 periods:

	2006			2005
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Fair value of net assets	$ 1,240,500	$ 1,236,772	$ 2,477,272	$ 2,162,385
Actuarial adjustment for fluctuation in fair value of net assets	(90,000)	(82,200)	(172,200)	(123,900)
Actuarial value of net assets available for benefits	1,150,500	1,154,572	2,305,072	2,038,485
Accrued pension liability	1,550,021	1,164,179	2,714,200	2,575,900
Actuarial deficiency	**$ 399,521**	**$ 9,607**	$ 409,128	**$ 537,415**

The Plan's unfunded liability for service prior to January 1, 1992 is currently being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 2.28% of salaries as required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value of the Province of Alberta's obligation for future additional contributions was $183.4 million at December 31, 2004.

The Plan's unfunded liability for service after December 31, 1991 is currently being financed by special payments of 2.64% of salaries shared equally between employers and employees until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

The additional contributions and special payments have been included in the rates in effect at December 31, 2006 (see Note 1(b)).

The Board of Trustees has done an actuarial valuation of the Plan every two years. An actuarial valuation of the Plan as at December 31, 2006 will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2007.

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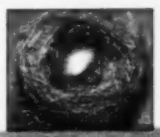


Note 8 Accrued Pension Liability, continued...

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

	Changes in Assumptions %	Sensitivities: Increase in Plan's Actuarial Deficiency ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 171.0	0.92%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	50.7	0.64%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	344.5	3.30%

** The current service cost as a % of pensionable earnings as determined by the December 31, 2004 valuation is 15.72%.*

NOTE 9 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by Plan Sponsors are as follows:

Remuneration rates effective April 1, 2006	Chair	Trustee
Up to 4 hours	$ 181	$ 135
4 to 8 hours	309	224
Over 8 hours	492	350

During the year, the following amounts were paid:

	2006	2005
Remuneration		
Chair	$ 4,000	$ 3,403
Trustees (8)	30,670	29,608
Travel expenses		
Chair	1,951	1,725
Trustees (8)	21,545	26,025

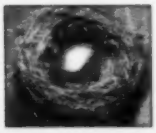
Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours. As provided for in the Sponsorship and Trust Agreement, the fees in respect of the Chair were paid to the respective institution.

NOTE 10 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with the 2006 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Trustees of the Plan.



SCHEDULE A
SCHEDULE OF INVESTMENT RETURNS
For the year ended December 31, 2006

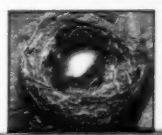
The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one- four- and eight -year periods ended December 31, 2006 are as follows:

	One Year Return				Compound Annualized Return	
	2006	2005	2004	2003	4 Year	8 Year
Time-weighted rates of return						
Short-term fixed income	4.2	2.8	2.2	3.0	3.0	3.8
Scotia Capital 91-Day T-Bill Index	4.0	2.6	2.3	2.9	2.9	3.6
Long-term fixed income	4.2	13.8	10.4	9.4	9.4	7.7
Long-term Fixed Income Index (1)	3.5	13.8	10.3	9.1	9.1	8.0
Real rate of return bonds	(2.9)	15.2	17.6	13.5	10.6	10.0
Scotia Capital Real Return Bond Index	(2.9)	15.2	17.5	13.3	10.5	10.2
Total fixed income	1.7	14.2	13.6	11.1	10.0	8.4
Fixed Income Index	1.2	14.2	13.2	10.6	9.6	8.2
Canadian equities	18.4	24.4	14.9	26.4	20.9	11.5
Canadian Equity Index (2)	17.3	23.7	14.9	26.7	20.6	10.8
United States equities	15.2	2.3	4.0	7.8	7.3	0.4
US Equity Index (3)	15.8	2.1	4.3	5.3	6.8	0.1
Europe, Australasia and Far East	26.4	11.8	11.7	14.3	15.9	6.1
MSCI EAFE Index	26.3	10.0	12.0	13.4	15.2	3.4
Emerging Markets	31.0	30.4	20.1	25.1	26.6	n/a
MSCI Emerging Markets Free Index	32.5	30.3	17.3	27.8	26.9	n/a
Total foreign equities	22.0	9.0	8.9	12.3	12.9	4.3
Foreign Equity Index (4)	22.1	7.9	8.9	10.7	12.3	2.6
Alternative investments	22.6	18.3	4.5	n/a	n/a	n/a
CPI plus 6%	7.4	8.0	n/a	n/a	n/a	n/a
Real Estate	21.3	29.9	n/a	n/a	n/a	n/a
IPD Large Institutional All Property Index	18.6	19.4	n/a	n/a	n/a	n/a
Overall	15.2	14.4	11.7	15.0	14.1	7.9
Policy Benchmark	14.5	13.4	11.8	14.0	13.4	7.1

(1) Scotia Capital Long Bond and Bond Universe indices.
(2) S&P/TSX Capped Composite and Bank of Montreal Small Cap indices.
(3) S&P 500 and Russell 2500 indices.
(4) S&P 500 Russell 2500, MSCI EAFE and MSCI Emerging Markets Free indices.



SCHEDULE B
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES
As at December 31, 2006

	Plan's Share	
	2006	2005
	($ thousands)	
Deposits and Short-term Securities	$ 13,206	$ 14,747
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	280,090	300,740
Alberta, direct and guaranteed	25	-
Provincial, direct and guaranteed	160,066	176,369
Municipal	11,859	13,303
Corporate, public and private	209,279	119,671
	661,319	610,083
Receivable from sale of investments and accrued investment income	4,232	3,810
Accounts payable and accrued liabilities	(100)	-
	4,132	3,810
	$ 678,657	$ 628,640

(a) Fixed income securities held as at December 31, 2006 had an average effective market yield of 4.22% per annum (2005: 3.38%). The following term structure of these securities as at December 31, 2006 was based on principal amount.

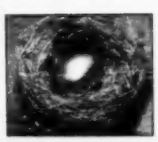
	2006	2005
	%	
under 1 year	1	-
1 to 5 years	6	-
5 to 10 years	13	4
11 to 20 years	27	36
over 20 years	53	60
	100	100

SCHEDULE C
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN CANADIAN EQUITIES
As at December 31, 2006

	Plan's Share	
	2006	2005
	($ thousands)	
Deposits and Short-term Securities	$ 6,396	$ 6,764
Public Equities (a) (b)		
Consumer discretionary	29,094	31,030
Consumer staples	14,161	18,098
Energy	101,591	105,364
Financials	132,286	129,377
Health care	2,248	5,542
Industrials	37,821	31,813
Information technology	20,501	19,187
Materials	65,619	60,123
Telecommunication services	27,646	20,539
Utilities	3,568	3,555
	434,535	424,628
Pooled investment funds	880	910
	435,415	425,538
Private Equity Pool	5,852	1,851
Receivable from sale of investments and accrued investment income	8,231	7,059
Accounts payble and accrued liabilities	(389)	(378)
	7,842	6,681
	$ 455,505	$ 440,834

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of the Canadian equity index swap and futures contracts totalling $198,741,000 (2005 $181,265,000).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

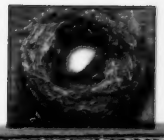


SCHEDULE D
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN UNITED STATES EQUITIES
As at December 31, 2006

	Plan's Share	
	2006	2005
	($ thousands)	
Deposits and Short-term Securities	$ 10,464	$ 9,009
Public Equities (a) (b)		
Consumer discretionary	56,988	44,413
Consumer staples	42,492	33,741
Energy	46,985	36,679
Financials	110,983	83,696
Health care	62,867	54,614
Industrials	59,527	48,162
Information technology	78,984	60,939
Materials	17,490	15,313
Telecommunication services	16,003	10,562
Utilities	17,842	13,869
	510,161	401,988
Pooled investment funds	259	392
	510,420	402,380
Receivable from sale of investments and accrued investment income	784	11,633
Accounts payable and accrued liabilities	(1,347)	(7,584)
	(563)	4,049
	$ 520,321	$ 415,438

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in United States public equities includes the notional amount of US equity index swap and futures contracts totalling $346,806,000 (2005 $324,970,000).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.



SCHEDULE E
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
As at December 31, 2006

	Plan's Share 2006	2005
	($ thousands)	
Deposits and Short-term Securities	$ 21,231	$ 3,609
Public Equities (a) (b)		
Consumer discretionary	76,218	61,614
Consumer staples	37,124	33,241
Energy	43,353	39,640
Financials	175,225	141,648
Health Care	39,917	38,288
Industrials	77,489	63,131
Information Technology	38,267	32,466
Materials	45,568	42,148
Telecommunication services	36,993	31,764
Utilities	29,392	22,055
	599,546	505,995
Pooled investment funds	34,072	39,436
	633,618	545,431
Receivable from sale of investments and accrued investment income	12,106	8,070
Accounts payable and accrued liabilities	(21,099)	(5,519)
	(8,993)	2,551
	$ 645,856	$ 551,591

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in non-North American public equities includes the notional amount of EAFE equity index swap and futures contracts totalling $135,329,000 (2005 $114,746,000).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

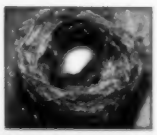
	Plan's Share 2006	2005
	($ thousands)	
United Kingdom	$ 131,235	$ 105,502
Japan	114,027	109,274
France	62,027	48,488
Germany	42,914	28,907
Switzerland	33,720	36,276
Netherlands	31,611	25,240
Spain	23,269	13,665
Italy	20,308	15,475
Australia	19,541	19,352
Sweden	11,802	10,782
Other	109,092	93,034
	$ 599,546	$ 505,995

SCHEDULE F
SCHEDULE OF INVESTMENTS IN REAL ESTATE
As at December 31, 2006

	Plan's Share 2006	2005
	($ thousands)	
Deposits and Short-term Securities	$ 62	$ 11
Real Estate (a)		
Office	59,281	41,568
Retail	35,025	27,724
Industrial	15,184	8,288
Residential	5,776	3,804
	115,266	81,384
Pooled investment fund	4,134	1,835
Accrued income and accounts receivable	76	174
	$ 119,538	$ 83,404

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share 2006	2005
	($ thousands)	
Ontario	$ 66,101	$ 50,480
Alberta	36,028	22,110
Quebec	10,889	7,263
British Columbia	2,248	1,531
	$ 115,266	$ 81,384



GLOSSARY – TERMS

Active Management
Managing the investments of a portfolio with the objective of outperforming the return of its benchmark. Active management of assets generally takes two forms – security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the S&P 500 for US stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class weights in the policy asset mix.

Asset Mix
The percentage of a plan's assets allocated to the major asset classes (for example, 35.0% fixed income and 65.0% equities).

Benchmark
A standard, such as the S&P 500 Index or S&P/TSX Index, against which performance is measured.

Bonds
Certificates of indebtedness issued by corporations, municipalities or governments on which the issuer promises to pay a specified amount of interest for a specified length of time and to repay the loan on maturity or the expiration date. A bond purchaser is lending money to the issuer. Bonds have terms to maturity greater than one year.

Emerging Market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equities/Common Stock
Units of ownership of a corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. In the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock. The liability of owners of equity is limited to the amount paid for the stock.

External Manager
A third-party firm contracted by the Investment Manager to provide investment management services.

Large Cap
"Large cap" refers to firms with large market capitalization. Market capitalization is simply the market value of a corporation's outstanding shares. In the US market, this refers to companies with market capitalization between $10 billion and $200 billion. These are the mega companies of the financial world: ExxonMobil, Microsoft, Citigroup, Wal-Mart and General Electric. Classifications such as "large cap" or "small cap" are only approximations that change over time.

Passive Management
Passive management involves investing to replicate or match the performance of a given market index such as the S&P/TSX (Capped) for Canadian stocks.

Policy Benchmark/Return
The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

Pooled Fund
A fund in which money from two or more investors is accepted for investment and where units allocated to each investor serve to establish the proportionate interest at any time of each investor in the assets of the fund.

Private Income/Infrastructure
Private Income opportunities represent privately-negotiated investments in private and publicly traded entities. These investments are selected, structured and managed to provide 1) a current income component of total return, 2) diversification and 3) an inflation hedge. These investment opportunities are typically capital-intensive and may include infrastructure projects (long-life assets used to provide essential services), bridge loans and corporate finance arrangements (with a current income component of total return). Most infrastructure assets are illiquid assets.

Real Return Bond
A fixed-income security (a bond) that generates a specified real rate of return. The real interest rate is the nominal (set) interest rate minus inflation.

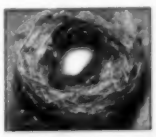
Small Cap
"Small cap" refers to firms with relatively smaller market capitalization. Though there is no rigorous definition, in the US, a company with a market capitalization of between $300 million and $2 billion is considered a small cap. The definition can change over time.

Statement of Investment Policies and Goals
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swap
A privately-negotiated contract between two parties to exchange a stream of periodic payments on certain dates in the future based on an underlying investment. The size of these payments is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount, is not exchanged between counterparties. Swaps available in and between all financial markets include, but are not exclusive to, equities, currencies, fixed income and commodities.

Treasury Bill/T-Bill
A short-term government security.

Timberland
This pool includes investments in privately-owned woodlands consisting of both hardwood and softwood species, and related financial instruments. Responsibly-managed timberlands are a renewable and sustainable resource that provides diversification and returns that are expected to have low volatility and are inflation-sensitive.



Total Return
Interest income plus price increases or decreases.

Unfunded Liability
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

YMPE (Year's Maximum Pensionable Earnings)
The maximum earnings set each year by the Canada Pension Plan (CPP) up to which employers and employees are required to make CPP contributions.

The YMPE for recent years is shown below:

2002	$ 39,100	2005	$ 41,100
2003	$ 39,900	2006	$ 42,100
2004	$ 40,500	2007	$ 43,700

GLOSSARY – INDICES

BMO Small Cap Blended Index
An index maintained by BMO Nesbitt Burns that is made up of 400 representative Canadian public companies and income trusts with market capitalizations of less than 0.1% of the S&P/TSX Composite total capitalization. This index is market capitalization weighted.

Consumer Price Index (CPI)
The Consumer Price Index (CPI) is an indicator of the prices encountered by consumers. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical consumer during a given month.

Frank Russell Median Manager
A reference point for measuring performance. Frank Russell Canada Limited conducts surveys of balanced fund managers on a quarterly basis to create the Frank Russell universe. From this universe, Frank Russell determines the median (or middle-ranked) manager.

IPD Large Institutional All Property Index
An index maintained by the Institute of Canadian Real Estate Fund Managers / International Property Databank that measures the total return from the six largest Canadian peer funds, which individually have real estate portfolios valued greater than $1 billion.

MSCI EAFE (Morgan Stanley Capital International – Europe, Australasia, Far East)
An index maintained by the MSCI Index Committee that is designed to measure developed public market equity performance, excluding the US and Canada. As of December 2005, the MSCI EAFE Index consisted of 21 developed market country indices representing approximately 85% of the market value of securities listed in the included countries.

MSCI Emerging Markets Index
An index maintained by the MSCI Index Committee that is designed to measure emerging public market equity performance. As of December 2005, the MSCI Emerging Market Index consisted of 25 emerging market country indices.

Rusell 2500 Index
An index maintained by the Frank Russell Company that measures the performance of the 2500 smallest companies in the Russell 3000. The Russell 2500 is taken to represent small and mid cap US equities.

S&P/TSX (Capped) Index
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the total return of the largest companies that trade on the Toronto Stock Exchange. In the S&P/TSX (capped), a single company's weight in the Index is capped at 10.0%.

ScotiaCapital 91-Day T-Bills Index
An index maintained by Scotia Capital that represents the performance of Government of Canada 91 day Treasury Bills.

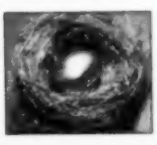
ScotiaCapital Long Bond Index
An index maintained by Scotia Capital that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than 10 years. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

Scotia Capital Long Government Bond Index
An index maintained by Scotia Capital that tracks the performance of bonds issued by the government of Canada (including crown corporations), provincial governments (including provincially guaranteed securities) and municipal governments with terms to maturity of more than 10 years.

Scotia Capital Real Return Bond Index
An index maintained by Scotia Capital that tracks the performance of real return (inflation-linked) bonds issued in Canada with terms to maturity of more than one year and a minimum credit rating of BBB (low).

Scotia Capital Univeerse Bond Index
An index maintained by the Scotia Capital that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than one year. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

Standard & Poor's 500 Index
An index maintained by the Standard & Poor's Index Committee that that includes a representative sample of 500 leading operating companies in the US economy to create a broad market portfolio representing approximately 75% of the market capitalization of US public equities.



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